Consolidated Financial Report
For the Nine-month Period Ended September 30, 2017 (IFRS)

November 9, 2017

Company Name	SKYLARK CO., LTD	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: http://www.skylark.co.jp
Representative	Makoto Tani, President and Chief Executive Officer	
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Quarterly statement filing date (as planned)	November 9, 2017
Dividend payable date (as planned)	-
Supplemental material of quarterly results	Yes
Convening briefing of quarterly results	No

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine-month Period Ended September 30, 2017

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Nine-month period ended September 30, 2017	270,361	2.1	23,040	(3.3)	21,061	(3.0)	14,061	2.0	14,061	2.0	14,453	7.8
Nine-month period ended September 30, 2016	264,750	0.1	23,814	9.1	21,720	11.4	13,783	14.7	13,780	14.8	13,404	23.5

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Nine-month period ended September 30, 2017	71.88	71.44
Nine-month period ended September 30, 2016	70.81	70.23

(Reference)

EBITDA	Nine-month period ended September 30, 2017	33,249 million yen	(-3.7%)	Nine-month period ended September 30, 2016	34,534 million yen	(8.2%)
Adjusted EBITDA	Nine-month period ended September 30, 2017	34,255 million yen	(-4.7%)	Nine-month period ended September 30, 2016	35,953 million yen	(3.0%)
Adjusted net income	Nine-month period ended September 30, 2017	14,075 million yen	(2.1%)	Nine-month period ended September 30, 2016	13,783 million yen	(6.7%)

(Note) The Company uses EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of our operations. Refer to "* Notes for using forecasted information and other matters (3) ~ (5)" below for details.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of September 30, 2017	313,594	122,265	122,265	39.0
As of December 31, 2016	318,317	114,198	114,198	35.9

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2016	–	15.00	–	23.00	38.00
Fiscal year ending December 31, 2017	–	16.00	–		
Fiscal year ending December 31, 2017 (Forecasted)				24.00	40.00

(Note) Revision of dividend forecast: None

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2017 (January 1, 2017 - December 31, 2017)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2017	365,000	3.0	32,800	5.0	30,000	3.6	19,200	5.4	98.55

(Note) Revision of forecasts on the results of operations: None

(Reference)

Adjusted EBITDA	Fiscal year ending December 31, 2017 (Forecasted)	49,000 million yen	(2.3%)
Adjusted net income	Fiscal year ending December 31, 2017 (Forecasted)	19,200 million yen	(5.4%)

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No
Number of subsidiaries newly consolidated: -
Number of subsidiaries excluded from consolidation: -

(2) Changes in accounting policies and accounting estimates
(i) Changes in accounting policies required by IFRSs: Yes
(ii) Changes in accounting policies other than those in (i): No
(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of September 30, 2017	196,725,400	As of December 31, 2016	194,834,000
(ii) Number of treasury stock	As of September 30, 2017	−	As of December 31, 2016	−
(iii) Average number of issued shares during the period	Nine months ended September 30, 2017	195,602,707	Nine months ended September 30, 2016	194,617,033

* The quarterly financial report is not subject to quarterly review procedures.

* Notes for using forecasted information and other matters

(1) The Group has adopted International Financial Reporting Standards (IFRSs).

(2) The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties. Refer to page 4 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2017 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing them.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2017 (1) Qualitative Information on the Consolidated Operating Results" for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that the Group believes are useful for investors to assess the operating results of our business. These measures exclude the effect of items which we consider not to be indicative of the results of our normal operations or comparable to our competitors' operating results, such as non-cash or cost items not expected to recur following the listing, including the advisory fees in accordance with the BCPL management agreement, IPO and public offering-related expenses, loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions and amount associated with the change in accounting estimates due to qualified listing. (The BCPL management agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(5) Our definition of EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their usefulness.

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2017

(1) Qualitative Information on the Consolidated Operating Results

The Company has promoted to create restaurants rooted in the local communities that enrich the life of each of our customers and provide comfort, with the purpose of fulfilling the Group's vision of "Creating richness of life with value to society."
In February 2017, the Company announced the mid-term business plan for the three-year period from 2017 to 2019 ("the Plan"), which aimed to achieve an increase in annual growth rates in sales of 3.0~4.0%, operating profit of 6.0~8.0%, adjusted EBITDA of 6~10%, and adjusted net income of approximately 10%. The main two strategies were 1) growth by utilizing and expanding existing platforms (strengthening profitability of our existing restaurants, opening new restaurants and optimizing costs) and 2) development of new growth drivers (operating business overseas and M&A).

Based on the Plan, we are positioned to develop and expand the family restaurants business under unstable economic conditions to improve corporate value.

As an initiative for the nine-month period ended September 30, 2017, we worked on measures to achieve sustainable growth at existing restaurants, opened new restaurants and optimized costs.

We implemented the following measures in the effort to achieve sustainable growth at existing restaurants.

・We have provided products that meet customer satisfaction at competitive prices by offering brands that cater to different customer needs using the Company's vertically integrated platform (Note 1).
Gusto has implemented "Hawaiian" fair providing attractive Hawaiian-inspired dishes such as "Cheese-in Loco Moco style bowl" as co-marketing activities with major food service and retail companies, and the fair was well-received by many customers.
On the other hand, in our specialty brand restaurants, we have offered more specialized menus. *Jonathan's* has provided "Domestic beef and Kagoshima black-pork Hamburg" and other high-value menus enjoying summer vegetables such as eggplant at a "Premium beef, pork and summer vegetables" fair. And *Bamiyan* held a "Noodles with local special ingredients" fair providing various exquisite Chinese noodles such as "Rich and Creamy Sapporo Miso Ramen" or "Spicy Ramen with Taiwan-style minced meat". Additionally, *Bamiyan* has implemented a collaboration campaign with Japanese idol group "Momoiro Clover Z" and the promotion was well-accepted by its fans.

・We remodeled our restaurants (Note 2) to provide more comfortable atmosphere to our customers by converting out-of-dated designs to modern designs that reflect the current trend, modifying table layouts in response to change of the number of people in each customer group, and further enhancing the separation of smoking and non-smoking sections in our restaurants. The Company converted the brands to a different concept and optimized them in an effort to respond to the customers' needs that are driven by changes in local demographics and market conditions. The Company remodeled 270 restaurants and converted the brands of 24 restaurants to different concepts during the nine-month period ended September 30, 2017.

・We implemented "Customer Voice Program" (Note 3) to gather feedback and requests from our customers and have worked on improving service quality at our restaurants. In addition, we are continuously working on improving store operations and productivity. For instance, we introduced a store management system with tablet terminals, which accelerate employee's proficiency by understanding the operations visually.
Also, we have implemented highly successful measures by utilizing digital tools, such as offering mobile apps, and analyzing our big data for menu development, creation of a sales promotion plan and planning opening of new restaurants.

・The Company achieved 8.3% of sales growth in the delivery service business compared to the same period in the previous year by flexibly responding to new customer demands such as aging society and increasing women's participation into the workplace.

In addition, the Company opened 68 new restaurants for the nine month period ended September 30, 2017.
Domestically, the Company opened 8 *Gusto* restaurants, 20 *Syabu-yo* restaurants, and 6 *chawan* restaurants, etc. by selecting the most suitable brands for locations such as station-front sites in urban areas, roadside locations, and shopping centers. In Taiwan, the Company opened 4 restaurants including 3 *Syabu-yo* restaurants, which is a rapidly growing brand in Japan.

In an effort to control costs, the Company continuously optimized purchasing, processing and distribution. In order to further improve our supply chain efficiency, we integrated the delivery to *Syabu-yo* restaurants, which was delivered by its original route, into the delivery routes of existing brands, resulting in reduction of delivery cost in the whole group. As a result, for this nine months period ended September 30, cost of sales as a percent of sales was 30.0%, which was an increase of 0.2% compared to the same period in the previous year due to the strategic sales promotion for high-value menus.

For general expenses, labor costs increased due to the increases in minimum wages and salaries for our regular employees, which were partially offset by the cross-divisional project to reduce the indirect costs. As a result, the ratio of selling, general and administrative expenses to revenue was 61.2%, which was an increase of 0.5% compared to the same period in the previous year.

Based on the above, the Company achieved revenue of 270,361 million yen (an increase of 5,611 million yen compared to the same period in the previous year), operating profit of 23,040 million yen (a decrease of 774 million yen compared to the same period in the previous year), income before income taxes of 21,061 million yen (a decrease of 659 million yen compared to the same period in the previous year), and net income attributable to owners of the Company of 14,061 million yen (an increase of 281 million yen compared to the same period in the previous year) for the nine-month period ended September 30, 2017.

EBITDA (Note 4) was 33,249 million yen (a decrease of 1,285 million yen compared to the same period in the previous year), adjusted EBITDA (Note 5) was 34,255 million yen (a decrease of 1,698 million yen compared to the same period in the previous year) and adjusted net income (Note 6) was 14,075 million yen (an increase of 292 million yen compared to the same period in the previous year). In addition, the number of restaurants in operation was 3,117 (3,068 as of January 1, 2017) as of September 30, 2017.

(Note 1) A vertically integrated platform is the Company's supply chain structure that encompasses all phases starting with product development, procurement of ingredients, production, distribution, and finally the delivery of the food product.

(Note 2) Remodeling represents remodeling of interior and exterior of restaurants. The Company remodels approximately 300 restaurants annually.

(Note 3) Customer Voice Program is a customer survey. All responses are addressed with sincerity from the headquarters to each restaurant, and are utilized to develop and improve our services.

(Note 4) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expenses (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) – Interest income – Other financial income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

- Other financial expenses are disclosed as "Other expenses" in the Condensed Interim Consolidated Statements of Income.
- Other financial income is disclosed as "Other income" in the Condensed Interim Consolidated Statements of Income.

(Note 5) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets − Reversal of impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing

(Note 6) Adjusted net income = Net income + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Amount associated with the change in accounting estimates due to qualified listing + Tax effects of adjustments

(Note 7) The BCPL management agreement represents the management agreement between the Company and Bain Capital Partners LLC. (The agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(Note 8) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company's share such as advisory fee and cost associated with purchase of mementoes, etc., which do not include the amount associated with the change in accounting estimates due to qualified listing as noted at (Note 9) below.

(Note 9) As a result of qualified listing (i.e. it refers to an event under which more than 50% of the Company's voting rights are offered to the public or sold for cash consideration following the submission of the registration statement required under the applicable Securities Act or the listing of the Company's stock at the security exchange in Japan), (1) all or a part of equity-settled share-based payments (the first, second and third stock option tranches) (collectively referred to as "SO") granted to the Company's directors and employees ("executives") became exercisable, (2) all or a part of cash-settled share option plans ("Stock Appreciation Right" or "SAR") under the Cash-Settled Stock Appreciation Right Agreement ("SAR agreement") which had been entered into between the Company and the Company's executives became exercisable, and (3) the Company incurred an obligation to pay certain monetary consideration ("DC") as determined in the Deferred Compensation Agreement ("DC agreement") to a counterparty of the DC agreement, which had been entered into between the Company and the Company's certain executives. Satisfaction of the terms and conditions of qualified listing has significant impact on accounting estimates used for SO, SAR and DC. Since the Company's share has satisfied the terms and conditions of qualified listing, it resulted in change in accounting estimates used for the accounting treatments. "Amount associated with the change in accounting estimates due to qualified listing" refers to the amount of the effect on the estimates used for the accounting treatments associated with the change in estimating the vesting period and the number of rights to be forfeited relevant to SO, SAR and DC.

(2) Qualitative Information on the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of September 30, 2017 is summarized as follows:

Current assets amounted to 28,712 million yen, which was a decrease of 10,285 million yen mainly due to a decrease in cash and cash equivalents, inventories and other current assets compared to the end of the previous fiscal year. Non-current assets amounted to 284,882 million yen, which was an increase of 5,562 million yen mainly due to an increase in property, plant and equipment and other non-current assets compared to the end of the previous fiscal year.

Total assets amounted to 313,594 million yen, which was a decrease of 4,723 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 52,853 million yen, which was a decrease of 8,863 million yen mainly due to a decrease in trade and other payables, income tax payable and other current liabilities compared to the end of the previous fiscal year. Non-current liabilities amounted to 138,476 million yen, which was a decrease of 3,927 million yen mainly due to a decrease in long-term borrowings and other financial liabilities compared to the end of the previous fiscal year.

Total liabilities amounted to 191,329 million yen, which was a decrease of 12,790 million yen compared to the end of the previous fiscal year.

Equity amounted to 122,265 million yen, which was an increase of 8,067 million yen mainly due to dividends paid of 7,619 million yen and an increase in net income of 14,061 million yen for the current period.

(ii) Cash Flows

Cash and cash equivalents as of September 30, 2017 amounted to 12,806 million yen, which was a decrease of 3,416 million yen compared to the end of the previous fiscal year. Conditions and factors for each category of cash flow for the nine-month period ended September 30, 2017 were as follows.

Cash flows from operating activities:

Net cash provided by operating activities was 24,334 million yen (an increase of 1,232 million yen compared to the same period in the previous year). This was primarily due to a decrease in income before income taxes of 659 million yen, a 3,112 million yen increase in the decrease in working capital etc. and an increase in payments of income taxes of 475 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 15,302 million yen (an increase of 2,161 million yen compared to the same

period in the previous year). This was primarily due to an increase of 960 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants, an increase of 365 million yen in payments for acquisition of intangible assets including the investments in IT and an increase of 515 million yen in payments of lease deposits and guarantee deposits. We normally make payments of cash and cash equivalents one or two months after an increase in assets from investing activities.

Cash flows from financing activities:
Net cash used in financing activities was 12,473 million yen (a decrease of 5,349 million yen compared to the same period in the previous year). This was primarily due to proceeds from long-term borrowings of 7,000 million yen for capital investments to open new restaurants, and an increase in dividends paid by 534 million yen.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results

Regarding the forecasts on the consolidated financial results of the current fiscal year, EBITDA, adjusted EBITDA and adjusted net income were included as financial measures that the Group considers useful for investors to evaluate the results of our operations, which was announced on February 9, 2017.

The Company has not changed the forecasts on the consolidated financial results for the fiscal year ending December 31, 2017, which was announced on February 9, 2017.

The forecasts are based on information available at the date of this report, and the actual results may vary materially from the forecasts in the future due to various factors.

2. Condensed Interim Consolidated Financial Statements and Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2016 and September 30, 2017 (Unaudited)

(Millions of yen)

	As of December 31, 2016	**As of September 30, 2017**
Assets		
Current assets		
Cash and cash equivalents	¥ 16,222	**¥ 12,806**
Trade and other receivables	7,885	**7,234**
Other financial assets	73	**355**
Inventories	6,465	**4,217**
Other current assets	8,352	**4,100**
Total current assets	38,997	**28,712**
Non-current assets		
Property, plant and equipment	96,692	**100,954**
Goodwill	146,171	**146,140**
Other intangible assets	2,503	**3,052**
Other financial assets	23,618	**24,135**
Deferred tax assets	9,415	**9,216**
Other non-current assets	921	**1,385**
Total non-current assets	279,320	**284,882**
Total assets	¥ 318,317	**¥ 313,594**

(1) Condensed Interim Consolidated Statements of Financial Position－Continued
As of December 31, 2016 and September 30, 2017 (Unaudited)

(Millions of yen)

	As of December 31, 2016	**As of September 30, 2017**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 10,458	**¥ 10,935**
Trade and other payables	23,426	**21,876**
Other financial liabilities	3,796	**3,870**
Income tax payable	6,317	**1,920**
Provisions	235	**672**
Other current liabilities	17,484	**13,580**
Total current liabilities	61,716	**52,853**
Non-current liabilities		
Long-term borrowings	121,349	**118,037**
Other financial liabilities	6,165	**4,990**
Provisions	14,250	**14,515**
Other non-current liabilities	639	**934**
Total non-current liabilities	142,403	**138,476**
Total liabilities	204,119	**191,329**
Equity		
Share capital	2,670	**3,389**
Capital surplus	57,920	**56,422**
Other components of equity	(559)	**(167)**
Retained earnings	54,167	**62,621**
Equity attributable to owners of the Company	114,198	**122,265**
Total equity	114,198	**122,265**
Total liabilities and equity	¥ 318,317	**¥ 313,594**

(2) Condensed Interim Consolidated Statements of Income

For the Nine-Month Periods Ended September 30, 2016 and 2017 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2016	**For the nine-month period ended September 30, 2017**
Revenue	¥ 264,750	**¥ 270,361**
Cost of sales	(78,976)	**(81,075)**
Gross profit	185,774	**189,286**
Other operating income	535	**512**
Selling, general and administrative expenses	(160,774)	**(165,539)**
Other operating expenses	(1,721)	**(1,219)**
Operating profit	23,814	**23,040**
Interest income	16	**13**
Other income	3	**2**
Interest expense	(2,090)	**(1,896)**
Other expenses	(23)	**(98)**
Income before income taxes	21,720	**21,061**
Income taxes	(7,937)	**(7,000)**
Net income	¥ 13,783	**¥ 14,061**
Net income attributable to:		
Owners of the Company	¥ 13,780	**¥ 14,061**
Non-controlling interests	3	**—**
Net income	¥ 13,783	**¥ 14,061**
Interim earnings per share		
Basic (Yen)	¥ 70.81	**¥ 71.88**
Diluted (Yen)	70.23	**71.44**

(3) Condensed Interim Consolidated Statements of Comprehensive Income

For the Nine-Month Periods Ended September 30, 2016 and 2017 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2016	**For the nine-month period ended September 30, 2017**
Net income	¥ 13,783	**¥ 14,061**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	16	**55**
Total items that are not reclassified to profit or loss	16	**55**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(233)	**47**
Cash flow hedges	(162)	**290**
Total items that may be reclassified to profit or loss	(395)	**337**
Other comprehensive income, net of tax	(379)	**392**
Total comprehensive income	¥ 13,404	**¥ 14,453**
Comprehensive income attributable to:		
Owners of the Company	¥ 13,405	**¥ 14,453**
Non-controlling interests	(1)	**—**
Total comprehensive income	¥ 13,404	**¥ 14,453**

SKYLARK CO., LTD and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Nine-Month Period Ended September 30, 2016 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2016	**¥ 2,529**	**¥ 62,961**	**¥ 5**	**¥ 315**	**¥(1,037)**	**¥ (717)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**16**	**(229)**	**(162)**	**(375)**
Total comprehensive income	—	—	**16**	**(229)**	**(162)**	**(375)**
Dividends	—	**(4,570)**	—	—	—	—
Exercise of stock options	**119**	**83**	—	—	—	—
Share-based payments	—	**27**	—	—	—	—
Transfer from other component of equity to retained earnings	—	—	**(3)**	—	—	**(3)**
Total contributions by and distributions to owners of the Company	**119**	**(4,460)**	**(3)**	—	—	**(3)**
Acquisition of non-controlling interests without a change in control	—	**(517)**	—	**9**	—	**9**
Total change in ownership interests in subsidiaries	—	**(517)**	—	**9**	—	**9**
Total transactions with owners of the Company	**119**	**(4,977)**	**(3)**	**9**	—	**6**
As of September 30, 2016	**¥ 2,648**	**¥ 57,984**	**¥ 18**	**¥ 95**	**¥ (1,199)**	**¥ (1,086)**

	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2016	**¥ 38,439**	**¥ 103,212**	**¥ 75**	**¥ 103,287**
Net income	**13,780**	**13,780**	**3**	**13,783**
Other comprehensive income, net of tax	—	**(375)**	**(4)**	**(379)**
Total comprehensive income	**13,780**	**13,405**	**(1)**	**13,404**
Dividends	**(2,470)**	**(7,040)**	—	**(7,040)**
Exercise of stock options	—	**202**	—	**202**
Share-based payments	—	**27**	—	**27**
Transfer from other component of equity to retained earnings	**3**	—	—	—
Total contributions by and distributions to owners of the Company	**(2,467)**	**(6,811)**	—	**(6,811)**
Acquisition of non-controlling interests without a change in control	—	**(508)**	**(63)**	**(571)**
Total change in ownership interests in subsidiaries	—	**(508)**	**(63)**	**(571)**
Total transactions with owners of the Company	**(2,467)**	**(7,319)**	**(63)**	**(7,382)**
As of September 30, 2016	**¥ 49,752**	**¥ 109,298**	**¥ 11**	**¥ 109,309**

SKYLARK CO., LTD and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity – Continued

For the Nine-Month Period Ended September 30, 2017 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2017	**¥ 2,670**	**¥ 57,920**	**¥ 46**	**¥ 273**	**¥ (878)**	**¥ (559)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**55**	**47**	**290**	**392**
Total comprehensive income	—	—	**55**	**47**	**290**	**392**
Dividends	—	**(2,012)**	—	—	—	—
Exercise of stock options	**719**	**497**	—	—	—	—
Share-based payments	—	**17**	—	—	—	—
Transfer from other component of equity to retained earnings	—	—	**0**	—	—	**0**
Total contributions by and distributions to owners of the Company	**719**	**(1,498)**	**0**	—	—	**0**
Total transactions with owners of the Company	**719**	**(1,498)**	**0**	—	—	**0**
As of September 30, 2017	**¥ 3,389**	**¥ 56,422**	**¥101**	**¥ 320**	**¥ (588)**	**¥ (167)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2017	**¥ 54,167**	**¥ 114,198**	**¥ 114,198**
Net income	**14,061**	**14,061**	**14,061**
Other comprehensive income, net of tax	—	**392**	**392**
Total comprehensive income	**14,061**	**14,453**	**14,453**
Dividends	**(5,607)**	**(7,619)**	**(7,619)**
Exercise of stock options	—	**1,216**	**1,216**
Share-based payments	—	**17**	**17**
Transfer from other component of equity to retained earnings	**(0)**	—	—
Total contributions by and distributions to owners of the Company	**(5,607)**	**(6,386)**	**(6,386)**
Total transactions with owners of the Company	**(5,607)**	**(6,386)**	**(6,386)**
As of September 30, 2017	**¥ 62,621**	**¥ 122,265**	**¥ 122,265**

SKYLARK CO., LTD and Subsidiaries

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Nine-Month Periods Ended September 30, 2016 and 2017 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2016	**For the nine-month period ended September 30, 2017**
Cash flows from operating activities		
Income before income taxes	¥ 21,720	**¥ 21,061**
Adjustments for:		
Depreciation and amortization	10,469	**10,013**
Loss on impairment of non-financial assets	603	**392**
Loss on sale and disposal of fixed assets	816	**590**
Interest income	(16)	**(13)**
Other income	(3)	**(2)**
Interest expense	2,090	**1,896**
Other expenses	23	**98**
	35,702	**34,035**
Changes in working capital, etc.:		
Decrease in trade and other receivables	1,415	**658**
Decrease in inventories	293	**2,250**
Decrease in trade and other payables	(2,681)	**(1,673)**
Other	409	**1,313**
Cash generated from operations	35,138	**36,583**
Interest and dividends received	4	**4**
Interest paid	(1,224)	**(1,094)**
Income taxes paid	(10,878)	**(11,353)**
Income taxes refunded	62	**194**
Net cash from operating activities	23,102	**24,334**
Cash flows from investing activities		
Payments into time deposits	(194)	**(551)**
Proceeds from withdrawals of time deposits	—	**275**
Acquisition of property, plant and equipment	(12,050)	**(13,010)**
Proceeds from sale of property, plant and equipment	—	**11**
Acquisition of intangible assets	(828)	**(1,193)**
Payment of loans	(2)	**(5)**
Proceeds from collection of loans	4	**1**
Payments of lease deposits and guarantee deposits	(541)	**(1,056)**
Proceeds from collection of lease deposits and guarantee deposits	690	**594**
Other	(220)	**(368)**
Net cash used in investing activities	(13,141)	**(15,302)**
Cash flows from financing activities		
Proceeds from short-term borrowings	7,000	**12,000**
Repayments of short-term borrowings	(4,500)	**(12,000)**
Proceeds from long-term borrowings	—	**7,000**
Repayments of long-term borrowings	(10,000)	**(10,500)**
Proceeds from exercise of stock options	202	**1,216**
Repayments of lease obligations	(2,946)	**(2,061)**
Dividends paid	(6,983)	**(7,517)**
Payments of commissions related to borrowings	(23)	**(611)**
Payments for acquisition of interests in subsidiaries from non-controlling interests	(572)	**—**
Net cash used in financing activities	(17,822)	**(12,473)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(148)	**25**
Net increase(decrease) in cash and cash equivalents	(8,009)	**(3,416)**
Cash and cash equivalents at the beginning of the period	18,245	**16,222**
Cash and cash equivalents at the end of the period	¥ 10,236	**¥ 12,806**

(6) Notes on the Going Concern Assumption

No items to report.

(7) Notes to Condensed Interim Consolidated Financial Statements

Changes in Accounting Policies

Newly-adopted accounting standards and amendments

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2016, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the nine-month period ended September 30, 2017 based on the estimated average annual effective tax rate.

The Group has adopted the following standards from the three-month period ended March 31, 2017.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IAS 7	Statement of Cash Flows	・Amendments on disclosure for liabilities associated with financing activities
IAS 12	Income Taxes	・Clarification of the accounting treatment for deferred tax assets associated with unrealized loss

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements for the nine-month period ended September 30, 2017.

Significant Accounting Judgments and Estimates

In the preparation of the condensed interim consolidated financial statements, management makes judgments and uses assumptions. Judgments, assumptions on the future events and uncertainties of estimations affect the carrying amounts of assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. The estimates and underlying assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and future periods.

Judgments made by management in the application of accounting policies that have a significant effect on the amounts recognized in the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2016.

Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The Group identifies the Restaurant Segment as the only reportable segment to be disclosed. Accordingly, the Group has not disclosed reportable segment information.

Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the nine-month period ended September 30, 2016	**For the nine-month period ended September 30, 2017**
Net income attributable to common shareholders of the Company	¥13,780	**¥14,061**
Net income not attributable to common shareholders of the Company	—	—
Net income attributable to common shareholders used for calculation of basic interim earnings per share	13,780	**14,061**
Adjustment	—	—
Net income attributable to common shareholders used for calculation of diluted interim earnings per share	¥13,780	**¥14,061**
Weighted-average number of common shares during the period (Share)	194,617,033	**195,602,707**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	1,599,697	**1,206,877**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	196,216,730	**196,809,584**
Basic interim earnings per share (Yen)	¥ 70.81	**¥ 71.88**
Diluted interim earnings per share (Yen)	70.23	**71.44**

Significant Subsequent Events

No items to report.